

Boston Retirement Board Guide to Retirement Benefits, Policies and Procedures

(Revised 1/2006)

AN IMPORTANT NOTE:

Nothing contained in this Guide should be considered a promise or contract. The retirement statute, and the regulations and decided cases that construe them are the governing law. This Guide is provided as an outline of the relevant law and procedure, and does not represent a policy statement, or a promise of how an individual case will be processed or decided.

Changes in the applicable law are unforeseeable and, if they occur, may necessitate changes, without notice, in Retirement Board procedures and/or functions

The Board reserves the rights to revise, change, or revoke, without notice, the information, rules and procedures detailed in this Guide.

Required Membership

Membership in the State-Boston Retirement System is mandatory for most public employees. However, certain part-time, seasonal or temporary employees not eligible for membership may be required to participate in mandatory OBRA plans.

Optional Membership

Elected officials may choose to become members within 90 days of assuming office.

Ineligible

Those receiving an allowance for retirement or disability from any public employee retirement system in Massachusetts or those whose salaries are funded with federal grant moneys where membership in a federal civil service retirement system is mandatory are ineligible. In addition, part-time, provisional temporary, temporary provisional, seasonal, or intermittent employees and contract employees (unless allowed by the Board) are not eligible for membership.

Group Classifications

Group 1

Members include elected officials and general employees comprising clerical, administrative and technical workers, laborers, mechanics, and all others not otherwise classified.

Group 2

Is limited and includes certain employees with hazardous occupations, such as EMTs, licensed electricians, police & fire signal repair personnel and some corrections officers.

Group 3

Is **not** applicable to SBRS membership.

Group 4

Consists of police officers, firefighters, certain correction officers, some linemen, electrical switch operators and certain boiler operators.

Dual Membership

If you are concurrently employed by two (or more) governmental units subject to the provisions of Chapter 32, you may conditionally become a member of each system. Upon retirement, the benefit received from dual membership cannot exceed what you would have received had your total compensation been paid by a single employer. You may also quit and apply for retirement in one system while continuing to work in the second. However, benefits will not become effective until you terminate in the second.

Transfer of Service

Accumulated deductions and corresponding creditable service for those who worked for the Commonwealth of Massachusetts, county government or municipalities will be transferred from those systems to SBRS. Likewise, SBRS deductions and creditable service are transferable to those systems.

Rates of Contribution

Hired prior to 1/1/75	5%
Hired between 1/1/75 to 12/31/78	7%
Hired between 1/1/79 to 12/31/83	7% + 2%*
Hired between 1/1/84 to 6/30/96	8% + 2%*
Hired 7/1/96 to Present	9% + 2%*
Teachers hired as of 7/1/01 (TARP)	11% Teacher's Accelerated Retirement Program

** Please note that all members who entered (or reentered the State-Boston Retirement System after taking a refund) on or after January 1, 1979 and who earn \$30,000.00 or more per annum are subject to the additional 2% withholding.*

Creditable Service

In general, you earn creditable service for the period during which you work, receive regular compensation and contribute a percentage of your pre federal income tax salary. (This contribution was post-federal tax prior to January 17, 1988).

Two-Year Creditable Service Requirement

No one who is reinstated, re-enters, transfers or re-establishes membership is eligible to receive a superannuation, ordinary, disability, or termination retirement allowance until he/she has been in active service for at least two consecutive years. However, this does not apply if a member was eligible to receive an allowance at the time of the last separation from work.

Worker's Compensation Benefits

Full creditable service will be awarded for an absence associated with injury sustained during employment that results in total incapacitation and payment of worker compensation benefits. Creditable service is accumulated and posted without contributions to the retirement system but where worker compensation is not regular compensation, these earnings cannot be factored into retirement allowances.

Military Service

Employees who leave employment to serve in the armed forces, who are honorably discharged and return to work within two years of discharge, are entitled to count military time towards creditable service. SBRS allows veterans to purchase up to a maximum of four years creditable service. All questions regarding proper definition of military service should be forwarded to the Boston Retirement Board.

Eligibility

Superannuation is the process of being retired upon reaching a certain age and meeting other requirements, including, in most cases, length of creditable service. You are eligible to retire at any age once you have reached 20 years of creditable service. Group 1 & Group 2 members initially employed on or after January 1, 1978 must have at least 10 years of creditable service, and be 55 or older to receive an allowance. If your (Group 1 or Group 2) employment began on or after January 1, 1978 and you haven't completed ten or more years of creditable service before ending your employment, you will be eligible to receive a refund of your accumulated deductions. In contrast, you may not receive a retirement allowance.

Vesting

Vesting signifies the right to a retirement allowance. Vested benefits do not depend on remaining in service in order to be entitled to a pension. Any member who became a member of a public employee retirement system before January 1, 1978 and has at least 10 years of service, and leaves his/her accumulated deductions on deposit with the retirement board may request a retirement allowance at age 55. However, if you were a member of a system before January 1, 1978 or you were an elected official with at least 6 years of creditable service, you can keep your deductions in your annuity savings fund and be eligible to receive a superannuation retirement at age 55 (or later).

Retirement Allowance

It consists of two parts: **annuity & pension**. Accumulated deductions and the accrued interest is the annuity portion. The difference between the retirement benefit and the annuity is the pension portion. An average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Factors

Your retirement allowance includes: age, length of creditable service, average rate of regular compensation and group classification.

Basic Formula

Your age corresponds with a benefit rate from this group chart; this factor is multiplied by years of creditable service times consecutive highest three-year average rate of regular compensation to equal your retirement allowance.

AGE	GROUP 1	GROUP 2	GROUP 4
65 or older	2.5	2.5	2.5
64	2.4	2.5	2.5
63	2.3	2.5	2.5
62	2.2	2.5	2.5
61	2.1	2.5	2.5
60	2.0	2.5	2.5
59	1.9	2.4	2.5
58	1.8	2.3	2.5
57	1.7	2.2	2.5
56	1.6	2.1	2.5
55	1.5	2.0	2.5
54	---	1.9	2.4
53	---	1.8	2.3
52	---	1.7	2.2
51	---	1.6	2.1
50	---	1.5	2.0
49	---	---	1.9
48	---	---	1.8
47	---	---	1.7
46	---	---	1.6
45	---	---	1.5

For example, under *option A*, a Group 1 employee, who is 65 years of age with 30 years of creditable service and whose *consecutive* high three year average earnings is \$50,000.00 calculates as follows:

$$2.5 \times 30 = 75 \text{ (covert to decimal percentage)}$$

$$.75 \times \$50,000.00 = \$37,50000.00 \text{ yearly benefit/ \$3,125.00 a month}$$

The superannuating retirement allowance of any member may not exceed 80% of your three-year average annual rate of regular compensation. However, veterans are entitled to an extra \$15.00 a year for each year (or fraction) of creditable service, up to a maximum additional benefit of \$300.00 per year. Veterans receive this even if their retirement allowance exceeds 80% of their average annual rate of regular compensation.

Guarantee

Payment of retirement benefits and refunds of accumulated deductions is a contractual obligation of the Commonwealth and its subdivisions to its members. Superannuation retirement allowances paid to members *cannot* be decreased or terminated throughout a member's lifetime.

Application Process

An *Intent to Retire* form (ITR) should be submitted 45 days prior to your desired date of retirement. The ITR is forwarded to your employer as notification of your plans to retire and also serves as employer's verification of employee salary history.

Collecting Benefits

In most cases, you should receive your first check eight (8) weeks after all of your, as well as, your employer's paperwork has been submitted and approved. Benefits are paid on the last Tuesday of each month.

Application Withdrawal

You may rescind a voluntary retirement at any time prior to approval by PERAC by notifying the Boston Retirement Board *in writing* of your intention not to retire.

Forfeiture

You will forfeit your retirement allowance if you are found, after a hearing to have misappropriated funds or property of the City of Boston. Your right and your beneficiary's right to receive monthly benefits, or simply a refund of your accumulated deductions, is forfeited to the extent of the amount misappropriated, plus the cost of the investigation, if any, as found by the board. If convicted, your right to a monthly benefit is forfeited unless and until full restitution is made. At no time shall any member, after final conviction of an offense, set forth in section 2 of Chapter 268A of the

General Laws, pertaining to corruption in official conduct or section 25 of Chapter 256 of the general laws pertaining to police or licensing duties, be entitled to receive a retirement allowance or a return of accumulated deductions, nor shall any beneficiary be entitled to receive any benefits under such provisions on account of each member.

COLA

Cost of living adjustments are *not* automatic. The Boston Retirement Board annually reviews and votes on whether to grant an increase. Every member and beneficiary in the system receiving an allowance as of June 30th of the prior year will be entitled to a COLA. The percentage increase will be made on the full amount of an allowance up to a cap of \$12,000.00. The COLA is pegged at 3% or at the increase in the Consumer Price Index (CPI), whichever figure is lower.

Options

Several choices are available regarding the distribution of retirement allowances. Pensions must be paid in lifetime monthly payments but payments differ depending upon option selection. Option choice also dictates what benefits will be paid to survivors. Your health and age at retirement, income from other sources, financial obligations and providing for survivors are some of the factors involved in this decision. Your choice must be made on or before the date that the allowance becomes effective. Retirement Board client service specialists are available to thoroughly discuss your options. Though, if you fail to select an option before the date your retirement becomes effective, you will be retired under **Option B. You cannot change your option choice after retirement becomes effective.**

Option A: selection of Option A affirms that you will receive a full retirement allowance in monthly payments as long as you live. All payments will cease upon your death and consequently, no benefits will be paid to your survivors.

Option B: provides you with a lifetime allowance that is on the average 3% less than Option A. The annuity portion of your benefit is reduced to allow an allowance for your beneficiary. Upon your death, your surviving beneficiary will be paid the unexpended balance of your accumulated total deductions from the annuity. The longer you live, the further the beneficiary amount is reduced. Typically, this reserve is generally expended within 10-15 years after your retirement.

Option C: is also known as the joint survivor allowance. This option provides payments that are approximately 7% less than those you would receive under Option A. Upon your death, your beneficiary will be paid a monthly allowance for the remainder of his/her lifetime. This allowance is two-thirds of what was paid to you.

Option C Pop-Up: becomes effective should your Option C beneficiary die before you do; you automatically pop up to the higher Option A rate. However, all payments will cease upon your death.

Option D: allows you to designate a refund beneficiary or to designate a survivor beneficiary in the event that you die prior to retirement (death of an active member). Payment may be made as a one-sum cash refund or as a member-survivor allowance that is payable monthly for life.

Spousal Acknowledgement

A married member's option selection must be signed off by the spouse as acknowledgment of receipt of the notice of option selection and of his/her understanding of the consequences of the option chosen. The Boston Retirement Board provides both member and spouse with detailed information regarding the option selected. Should a married member file a *Choice of Retirement Option Form* that has not been acknowledged by his/her spouse, the Boston Retirement Board is required to notify the spouse within 15 days by registered mail of the option selection and of the spouse's right to sign and return an acknowledgment of the information. An *unacknowledged* option selection form shall take not take effect unless the spouse fails to submit the signed spousal acknowledgment within thirty days of receipt of the information. The effective date of retirement however will not be adversely affected by the required acknowledgment.

Social Security

Benefits paid under the provisions of Chapter 32 may offset Social Security Benefits. Although a municipal retirement allowance cannot be reduced as a result of other retirement benefits, Social Security benefits can be reduced. Contact your local Social Security Office for detailed information @ 1-800-772-1213.

Disability

The Massachusetts Contributory Retirement Law, under Chapter 32, provides for two different types of disability retirement: *accidental and ordinary*.

Accidental Disability

Any member is eligible who becomes permanently and totally incapacitated before reaching the maximum age for his/her group as a result of suffering a personal injury while in the performance of his/her duties. SBRS must find that your incapacitation is likely to be permanent and that you should retire.

Proper Notice

If you have an accident on the job, or are exposed to a health hazard, be sure the Boston Retirement Board is notified in writing, in conjunction with the notice filed with your department/agency. This form should be filed **within 90 days** of the occurrence of your injury. This establishes time, place, and occurrence of the accident. If you later become disabled and more than 2 years have passed since the accident or hazard, it is imperative that you have the official documentation in order to seek benefits. The notice of injury serves as the official record. Worker Compensation records and/or official departmental records are also applicable.

Ordinary Disability

If a member becomes permanently disabled permanently and totally incapacitated due to a sickness or injury that is not job related and can no longer perform the essential duties of his/her job, an ordinary disability is a likely alternative. Non-Veterans must have ten years of creditable service and be 55 years of age or younger. Veterans must have at least ten years of creditable service at any age.

Involuntary Retirement

Department Heads have the authority to file an application to retire an employee with either a superannuation or disability retirement. Minimum creditable service and age requirements are applied to those members whose retirement proceedings are initiated by an appointing authority.

Department heads may file without your consent. A copy of this form will be forwarded to the member. Within 15 days of receiving a copy, you may request a hearing with the Boston Retirement Board (if you are a member-in-service of Group 1, Group 2, or Group 4 who is 55 with 15 or more years of creditable service, or if you are younger than 55 but have 20 or more years of creditable service).

Refunds

Employees who resign and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated deductions. In addition, depending on the number of years of creditable service, employees are entitled to receive 0%, 50% or 100% of the interest that has accrued. You shall receive your refund within 90 days after filing a written *request for official refund application* that includes your employer's signature. There may be substantial federal tax consequences, if you take a direct refund of your deductions rather than rolling them over into another qualified retirement plan.

Restrictions

Those receiving retirement allowances are ineligible to request a refund because their accumulated total deductions are being used to fund a portion of their retirement

allowance. In addition to retirees, you cannot request a refund if you continue as a member-in-service; you are on a authorized leave of absence; you have a worker compensation claim pending or if you are receiving worker compensation benefits for total incapacity; you have been charged with, or convicted of, misappropriation of funds or property of the city; you are appealing a dismissal or if you have otherwise expressed intent to continue working.

Those eligible to receive a retirement allowance or will become eligible upon reaching age 55, must sign a waiver of pension rights upon refunding accumulated deductions.

You are not entitled to a refund if you have resigned for the purpose of accepting a job with the Commonwealth of Massachusetts or any political subdivision that is subject to the provisions of the Massachusetts Contributory Retirement System covered in Chapter 32.

Repayment

When you return to public service, you do not have to pay back withdrawn contributions. However, when you resume employment, your contribution rate will be the current percentage rate, regardless of what your rate was previously. However, if you did not withdraw your contributions, your percentage rate will revert to the rate in effect at the time of your separation.

Interest

Interest limitations can affect individuals whose membership began after January 1, 1984. If you voluntarily terminate your employment with less than 5 years of creditable service and withdraw your contributions, you will not receive any interest on accumulated deductions. If you voluntarily quit and withdraw your contributions with a minimum of 5 years of creditable service but less than 10 years, you will receive 50% of the accrued interest; accordingly, with at least 10 years of creditable service, you will receive 100% of the accrued interest. You are not subject to interest limitations if your continuous membership began prior to January 1, 1984.

Your accumulated deductions continue to earn interest after you resign. The interest payable, if you later seek a refund, is limited to the accrual of the first two years following your resignation. As is the case with interest earned prior to withdrawal from public service, your date of employment and date of service will determine how much of accrued interest during this two year period is payable to you.

If you maintain your account with SBRS and later return to public service, interest will be credited to your account for the entire period of your absence. Should you leave again and request a refund, the limitations previously cited will apply.

Buyback

Your prior creditable service will only count toward your retirement allowance if you buy back the contributions that you withdrew. Your buy-back must include the withdrawal amount plus annual interest to the date of repayment. Buyback payments can be made on an irrevocable payroll deduction basis.

Appeals

The decisions rendered and actions taken by the Boston Retirement Board or by the Public Employee Retirement Administration Commission (PERAC) can be appealed to either the Contributory Appeal Board (CRAB) or, in some cases, the appropriate district court. If the Boston Retirement Board or PERAC fails to respond as required, this failure may also be appealed to CRAB. Appeals to CRAB must be filed within 15 days of the date that the Boston Retirement Board or PERAC acted or failed to act. Within a period of not less than ten days, nor more than 60 days after the appeal is filed, CRAB will assign the matter to an administrative magistrate from the Division of Administrative Law Appeals (DALA).

The administrative magistrate will conduct a hearing and issue a written decision that becomes final and binding upon the Board and all other parties. This is a compulsory decision unless, within 15 days, either parties files an objection to CRAB or CRAB rules in writing that it will review the decision and take action when it deems appropriate. Even CRAB's final decision may be appealed to Superior Court.

Income Taxes

Contributions made prior to January 12, 1988 and lump sum buy backs of creditable service (whether made prior to or after January 12 1988), are considered employee contributions and are not excluded from taxable income. However, payroll deductions for buy-back purposes are excluded from federal taxable income. Contributions made after January 12, 1988 are designated as employer contributions. Your employer reduces your gross salary for federal income tax purposes by your contribution amount. This reduces the amount of income subject to federal taxes. Contributory Retirement Allowances (section 1-28 of Chapter 32) are not subject to state taxes.

Support Orders and Attachments of Benefits

A retirement allowance and, including refunds as well, can be attached to satisfy a support order issued pursuant to Massachusetts General Laws, c.208, c.209, c.209A, c.209C or c. 273. However, a support order cannot create a benefit or entitlement to a benefit that would be inconsistent with the retirement laws.

Health & Life Insurance

At your request, the Boston Retirement Board will withhold monthly premiums for continued coverage in-group health and life insurance programs sponsored by the City.

Useful Links

- **Retired State, County & Municipal Employees Association of Massachusetts**
 - www.massretirees.com
- **Public Employee Retirement Administration Commission**
 - www.mass.gov/PERAC
- **Pension Reserves Investment Management Board**
 - www.mapension.com
- **Contributory Retirement Appeal Board**
 - www.mass.gov/DALA
- **Massachusetts Department of Revenue**
 - www.dor.state.ma.us
- **Social Security Administration**
 - www.socialsecurity.gov
- **Health Benefits**
 - www.cityofboston.gov/jobs/benefits.asp